

SMALL BUSINESS LOAN FUND CORPORATION

MINUTES OF THE BOARD OF DIRECTORS

May 24, 2012

PUBLIC SESSION

A monthly meeting of the Board of Directors (the "Board") of the Small Business Loan Fund Corporation (the "Corporation") was held in public session at the offices of the Rhode Island Economic Development Corporation, 315 Iron Horse Way, Suite 101, Providence, Rhode Island on May 24, 2012, scheduled for 9:30 a.m., pursuant to notice of the meeting to all Directors, and public notice of the meeting as required by the By-Laws of the Corporation and by Rhode Island General Law 42-46-6.

The following Directors were present and participated throughout the meeting: Mr. Raymond Fogarty, Mr. William Parsons, Mr. Richard DeMerchant, Mr. Jose Monteiro and Ms. Yahaira Placencia.

The following Director(s) were absent: None

Also present were: Sean Esten, Corporation Administrator, Adam Quinlan, Corporation Staff, Dan Price, Corporation Staff, Stacy Farrell, Corporation Secretary, Susan Morgan, Corporation Administrator, Earl F. Queenan, Managing Director of Financial Services, Armeather Gibbs, Managing Director of Urban Finance and Business Development, Christopher Cannata, Corporation Staff, Denise Barge, Corporation Staff and Tom Moses, Esq., Legal Counsel, Moses & Afonso, Ltd.

Mr. Fogarty presided over the meeting.

1. Call to Order.

Mr. Fogarty called the meeting to order at 9:34 a.m. He began by welcoming the two newly appointed members of the Board; Ms. Placencia and Mr. Monteiro.

2. Approval of the Minutes of the Meeting held on April 27, 2012

The first item to come before the Board was approval of the Public Session Minutes of the special Board meeting held on April 27, 2012. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Placencia, the motion to approve the Public Session Minutes and the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

3. Maintain the Executive Minutes of the April 27, 2012 meeting as Confidential

The next item to come before the Board was a vote to maintain the confidentiality of the Executive Session Minutes of the Board meeting held on April 27, 2012. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Fogarty, the motion to maintain the confidentiality of the Executive Session Minutes of the above noted meeting as presented was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

4. Report of Cash Position as of April 30, 2012.

Mr. Queenan asked if there were any questions or comments regarding the Cash Report for the period ended April 30, 2012 (Exhibit A). There being none, there was no further discussion on this report.

5. Delinquency Loan Report as of May 15, 2012

Mr. Queenan asked if there were any questions regarding the Loan Delinquency report dated May 15, 2012 (Exhibit B). Ms. Placencia asked that staff provide a brief overview of the delinquent loans for the benefit of the new board members. Mr. Esten gave a brief overview of each company and the challenges they are facing. Ms. Farrell indicated that a Delinquency subcommittee meeting would be held in June which would provide more detailed notes for the June meeting on each borrower. There was no further discussion regarding this report.

6. Request to establish the Urban Business Growth Fund

Ms. Gibbs reviewed the materials provided to the Board regarding her request to establish an Urban Business Growth Fund (Exhibit C). She stated that the initiative would provide capital for small business located in the 'Urban Main Street Corridor' which included Providence, Pawtucket, Woonsocket, West Warwick and Central Falls. She further noted that the initiative aligned with the recently approved Urban Revitalizing & Rebranding plan of the RIEDC Board. If approved the SBLFC would set aside \$250,000 in funds to be used to target new and existing businesses, with loans in the range of \$10,000 to \$50,000. Ms. Gibbs further reviewed the terms and conditions which were provided as part of the materials to the Board. There was some question as to why the set aside request was for \$250,000 and concern that this would not be enough capital for this initiative. Mr. Fogarty indicated that the SBLFC currently has limited resources available, with a lending capability of approximately \$1 million. He noted that the SBLFC has not received additional federal funding since 1996 and relies upon the performance of the current portfolio to replenish funds and continue lending. The Board advised that should the entire \$250,000 be lent out, additional funding could be considered and would be based on the overall fund availability at that time. Upon motion duly made by Ms. Placencia and

seconded by Mr. DeMerchant the motion to create an Urban Business Growth Fund with a set aside of \$250,000 from the SBLFC was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: None

7. Policy discussion regarding loan denials

Ms. Farrell indicated that on a go forward basis staff would provide a brief summary memorandum for each applicant that provided a complete application for a loan request and were declined at a staff level. The underwriters would review the file, present their reason for denial, and the memorandum would be reviewed in executive session. The board would then ratify the actions of staff regarding the request.

8. Status discussion of Directors and Officers (D&O) Insurance

Ms. Farrell noted that the current D&O policy was presently being reviewed by Ms. Morgan. Ms. Morgan noted that she was in the process of getting quotes for additional coverage, as well as reviewing any benefit to having SBLFC carry its own policy. Ms. Farrell indicating the topic would remain an agenda item until such time that the quotes were ready for review by the Board.

9. Other Business

Mr. Fogarty asked if there was other business that should come before the Board. There was some discussion regarding the recently departed Board members, Mr. Tom Stocker and Ms. Leslie Taito. Mr. Moses suggested that a Resolution of Thanks on behalf of the Board and the state of Rhode Island be provided to the members for their service. Upon motion duly made by Mr. DeMerchant and seconded by Mr. Fogarty, the motion to provide a Resolution of Thanks to the departed members was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None
The following Directors were absent for the vote: None

Executive Session

Mr. Fogarty suggested that the Board move into executive session. Upon motion duly made by Mr. Parsons and seconded by Mr. DeMerchant, the motion to move the meeting into executive session pursuant to Rhode Island Open Meetings Law 42-46-5(a)(6) of the General Laws of the State of Rhode Island, as amended, was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

Public session concluded and executive session began at 10:03 a.m.

10. Executive Session Vote Ratification

Mr. Fogarty called for ratification of the votes adopted during Executive Session. Upon motion duly made by Mr. DeMerchant and seconded by Ms. Placencia, the following votes were ratified:

- (a) To deny the request for a six month extension of the approval provided to Oliver Hazard Perry Rhode Island, Inc. for a \$500,000 loan.
- (b) To approve the renewal of the commitment to General Fabrics for a \$200,000 loan.
- (c) To table the request of Atlantic Footcare for a \$200,000 loan for additional information.
- (d) To deny the request for \$150,000 of additional funding from Avtech Software, Inc. Approval was given for a restructuring of the existing debt of the company.
- (e) To confirm the loan denials of the following companies:
 - PreMama, Inc.- \$250,000
 - Perosphere, Inc.- \$750,000

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

11. Adjournment

There being no further business to come before the Board, Mr. Fogarty called for a vote to adjourn the meeting. Upon motion duly made by Ms. Placencia and seconded by Mr. DeMerchant, the motion to adjourn the meeting was duly adopted.

The following Directors voted in favor of the foregoing: Mr. Parsons, Mr. DeMerchant, Mr. Monteiro and Ms. Placencia.

The following Directors voted against the foregoing: None

The following Directors were absent for the vote: None

The meeting was adjourned at 11:15 a.m.

Respectfully submitted,

/s/ Stacy Farrell
Stacy Farrell, Secretary